



Monthly Economic Update

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This report is a monthly update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.co.mo.md.us/services/finance> For questions, please call (240) 777-8866

- **Economic Conditions.** Due to stronger than expected consumer and government spending, GDP grew 0.2% in the 4th qtr 2001. However, similar to the previous quarter, subsequent downward revisions are expected to result in a modest contraction. Moreover, since the 5% jump in 4th qtr consumer spending was largely due to accelerated 0% financing induced car purchases, new car sales in the 1st qtr 2002 will be much smaller and dampen GDP.

Even though businesses slashed payrolls in January 2002 to a lesser degree than before, 1.25 million workers lost their job in the past six months which, added to slower wage growth and depressed equity market returns, will keep near term consumer spending growth in the very low single-digits. Also businesses continue to have operating losses that, in conjunction with comparatively expensive corporate financing, dampens capital expenditure and GDP growth in the first part of this year

There are also positive signs. The manufacturing sector stopped contracting in January 2002 – with the strongest reading of its level of activity in a year and a half. Consumer confidence continues to improve, while both construction and real estate markets remain strong, and both national and Washington leading indicators suggest a near-term economic recovery.

- **Labor Market.** Despite a national recession and decelerating payroll growth in the County, unemployment registered only 2.2% in 2001 – up slightly from the prior year. Moreover, the January unemployment rate (2.6%) is the lowest among similar sized jurisdictions in Maryland, well below the statewide average (4.1%), and less than half of the seasonally adjusted rate for the nation (5.6%).

However, the sharp drop in payroll growth in the County last year – from 5.7% growth in 2000 to 0.8% in June 2001 – and decelerating growth in resident employment – from solid 4% at the beginning of 2001 to a 0.7% decline in December – sug-

gests that unemployment will continue to rise for some time. Currently, an estimated 14,000 residents were unemployed in the 4th qtr 2001. While this creates significant hardship for those workers who lost their job during this downturn, the level remains well below the 19,000 unemployed during the 1991 recession, and at a time that the County had a considerably smaller labor force.

- **Real Estate.** The housing market remains strong. Nationally, the number of existing homes sold jumped sharply in December 2001, bringing the total in 2001 to a record 5.25 million. Despite the level of activity, growth was only 2.7% last year and 0.5% over the past two years – the same as in the County where the level is high but the rate of growth low.

New home sales nationwide increased 2.3% last year, with particular strength in the South (6.5%), modest growth in the West (3.5%), and weakness in both the Northeast (-8.1%) and Midwest (-2.4%).

Similar to the strong growth in house prices in the County, average prices nationwide rose 5.1% in 2001, while the median house price jumped 6.1% to \$147,500. Moreover, since the median house price grew at an even faster clip in the County (10.6%), median priced homes in Montgomery County are now 42% more expensive than the national average

- **Summary.** Even though current economic conditions are weak, the downturn is not nearly as severe as in previous recessions. Moreover, there are important signs that the economy has bottomed and is poised to recover soon. Some lagging indicators (notably, the labor market) may continue to weaken for some time, while other indicators (manufacturing and consumer confidence) exhibit strength. Also, both fiscal stimulus and monetary policy have been conducive to a rebound, especially in the Washington region, where increased federal employment, grants (e.g., NIH), and procurement will provide a significant boost to the regional economy.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		
				2001	2000	2000
Leading Indicators						
National	December	1.2%		2.5%		-1.5%
Washington MSA	November	1.5%		-2.5%		0.5%
Consumer Confidence Index						
National	Jan. 2002	2.9%		-26.4%		-9.2%
South Atlantic Region	Jan. 2002	2.4%		-23.9%		-9.9%
Consumer Price Index						
All Items						
National	December	1.6%		2.9%		3.4%
Washington - Baltimore CMSA	November	2.2%		2.7%		3.3%
Core CPI						
National	December	2.7%		2.7%		2.4%
Washington - Baltimore CMSA	November	3.6%		3.0%		2.3%
Retail Trade						
National (sales)	December	2.9%		3.4%		7.6%
Maryland (tax)	November	0.7%		3.3%		8.2%
Montgomery County (tax)	November	2.0%		4.2%		6.6%
Employment						
National	Jan. 2002	132,139,000	134,462,000	135,073,000	135,208,000	135,208,000
- Percent Change		-1.7%		-0.1%		1.3%
Washington PMSA (at place)	November	2,853,800	2,813,000	2,829,700	2,750,500	2,707,700
- Percent Change		1.5%		2.9%		3.0%
Montgomery County (resident)	December	483,146	486,555	488,152	473,902	473,902
- Percent Change		-0.7%		3.0%		1.3%
Montgomery County (payroll)	June	456,983	453,448	449,003	442,268	447,744
- Percent Change		0.8%		1.5%		4.9%
Unemployment						
National	Jan. 2002	6.3%	4.7%	4.8%		4.0%
Maryland	December	4.1%	3.3%	3.9%		3.9%
Washington PMSA	November	3.4%	2.2%	2.7%	2.4%	2.3%
Montgomery County	December	2.6%	1.5%	2.2%		1.9%
Construction						
Project Cost - Montgomery County						
Total (\$ thousand)	December	\$61,614	\$57,333	\$1,353,664	\$1,172,696	\$1,172,696
- Percent Change		7.5%		15.4%		-19.3%
Residential (\$ thousand)	December	\$29,154	\$34,578	\$682,768	\$582,335	\$582,335
- Percent Change		-15.7%		17.2%		37.0%
Non-Residential (\$ thousand)	December	\$32,460	\$22,755	\$670,896	\$590,361	\$590,361
- Percent Change		42.6%		13.6%		-42.5%
Building Permits (Residential)						
National	December	109,792	100,607	1,610,766	1,574,361	1,574,361
- Percent Change		9.1%		2.3%		-5.4%
Maryland	December	1,867	2,202	28,412	29,417	29,417
- Percent Change		-15.2%		-3.4%		-1.1%
Montgomery County	December	390	266	5,091	4,472	4,472
- Percent Change		46.6%		13.8%		6.7%
Building Permits (Non-Residential)						
Montgomery County	December	148	133	2,102	1,697	1,697
- Percent Change		11.3%		23.9%		28.7%
Real Estate						
National						
Sales	December	5,190,000	4,940,000	5,251,000	5,113,000	5,113,000
- Percent Change		5.1%		2.7%		-1.8%
Median Price	December	\$151,400	\$139,700	\$147,500	\$139,000	\$139,000
- Percent Change		8.4%		6.1%		4.3%
Montgomery County						
Sales	December	1,185	1,192	14,853	14,779	14,779
- Percent Change		-0.6%		0.5%		0.4%
Average Price	December	\$291,346	\$279,812	\$273,214	\$253,876	\$253,876
- Percent Change		4.1%		7.6%		4.9%
Median Price	December	\$230,000	\$200,000	\$210,133	\$190,000	\$190,000
- Percent Change		15.0%		10.6%		2.7%